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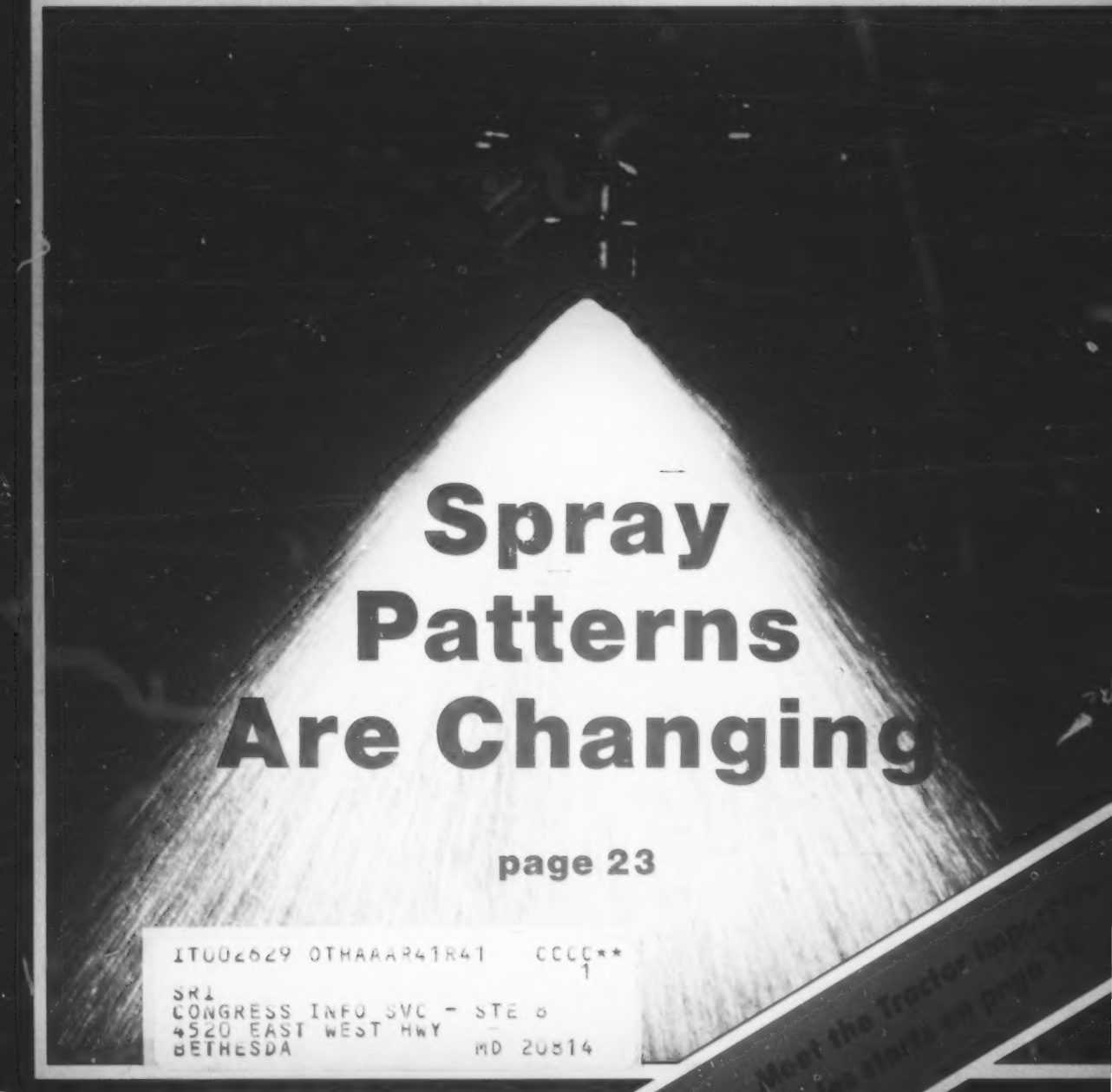
I&T 100 YEARS OF LEADERSHIP

D-A, MF Dealer Sessions **pages 12, 20**



Spray Patterns Are Changing

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I&T 100 YEARS OF LEADERSHIP

Implement & Tractor

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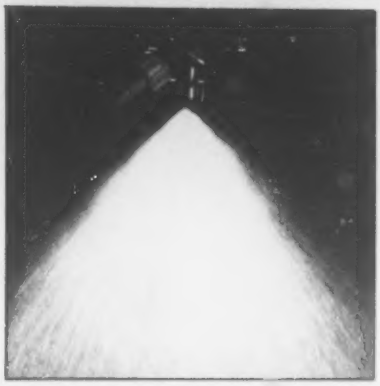

On Our Cover

There have been big changes in attitude about farm chemical use. Needed: New equipment development efforts, says expert.

(Photo courtesy Hardi, Inc., London, Ont.)

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Features

10: **The State of the Industry** survey, presented at the Farm & Industrial Equipment Institute's Marketing and Management conference, forecasts strong increases in dollar retail sales.

12: **Robert Ratliff** tells 800 dealers about moves to make the company more market-responsive, outlines strategies, warns financially weak dealers that they may not survive.

16: **Tractor Importers, Part I:** A couple of tractor business veterans find the southeastern U.S. a receptive market for the IMT line.

20: **They still make tractors,** but Massey executives are putting the focus on getting demand-oriented products to their dealers. It means sourcing quickly and making alliances with strategic shortliners.

27: **New tractors** from Deere and Ford New Holland are featured.

28: **Three consultants** comment on a dealer's inquiry about the true cost of open accounts on parts and service.

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FIEI Issues Final 1988 Report of Retail Sales

HERE'S HOW RETAIL SALES of farm equipment turned out for 1988, according to the flash report of the Farm & Industrial Equipment Institute.

UNIT RETAIL SALES

Equipment	December 1988	December 1987	December % Change	January-December 1988	January-December 1987	January-December % Change
Farm Wheel Tractors:						
2-Wheel Drive						
Under 40 HP	2,867	3,315	(13.5)	54,344	59,885	(9.3)
40 & Under 100 HP	2,384	3,054	(21.9)	33,083	30,694	7.8
100 & Under 140 HP	468	510	(8.2)	4,323	5,084	(15.0)
140 HP & Over	1,334	955	39.7	11,804	10,818	9.1
Total 2-Wheel Drive	7,053	7,834	(10.0)	103,554	106,481	(2.7)
4-Wheel Drive						
Under 200 HP	123	111	10.8	998	602	65.8
200 HP & Over	171	146	17.1	1,731	1,051	64.7
Total 4-Wheel Drive	294	257	14.4	2,729	1,653	65.1
Total Farm Wheel Tractors	7,347	8,091	(9.2)	106,283	108,134	(1.7)
Combines (Self-Propelled)	505	805	(37.3)	5,995	7,170	(16.4)
Balers (Bales under 200 lbs)	151	172	(12.2)	5,732	5,352	7.1
Forage Harvesters (Shear Bar Type)	71	100	(29.0)	2,406	2,280	5.5
Mower Conditioners	399	429	(7.0)	11,041	11,239	(1.8)

Deere's 1988 Sales: $5.365 Billion

Deere & Co. has reported net income for fiscal 1988, ended Oct. 31, of $315 million, compared with a strike-affected net loss in 1987 of $99 million. The record earnings benefitted by $69 million from tax loss carry-forwards.

Net sales for fiscal 1988 were $5.365 billion, up 30 percent on 1987's $4.135 billion. Production was 34 percent higher for the year and up 11 percent in the fourth quarter.

Deere's manufacturing and marketing operations earned $180 million in 1988 compared with a loss of $193 million in strike-affected 1987. Net income of retail finance, leasing and insurance operations increased from $90 million in 1987 to $130 million in 1988.

Farm equipment and consumer products volume in 1988 was $4.203 billion, compared with $3.223 billion in 1987. Industrial equipment sales rose from $911 million in 1987 to 1988's $1.162 billion.

Deere & Co. is setting initial production schedules of all products for 1989 at a level about 11 percent higher than actual 1988 output. North American ag equipment production schedules are up strongly.

Varity's MF: 9-Month Sales $960 Million

Varity Corp. has reported that in its first nine months, the farm and industrial machinery segment of its business produced $960 million in sales, compared to $786 million for the same 1987 period. Total sales for Varity were $1.661 billion in 1988's first nine months, compared with $1.38 billion in 1987.

Net income before extraordinary items in the first three quarters was $29.9 million in 1988, compared with $5.4 million a year earlier. Extraordinary items in 1987—the writing off of Varity's Massey Combines Corp. investment—produced a nine-month loss of $17.3 million for a net loss of $11.9 million. For 1988, the extraordinary item was realization of tax benefits of the previous year's losses, producing a net nine-month income of $53.7 million.

Changes...

Roger Miskelley is new marketing manager for the Lawn & Garden Div. of Briggs & Stratton Corp.

Briefly...

Oshkosh Truck Corp., Oshkosh, Wis., will acquire Deere & Co.'s motorized vehicle chassis business. During a 12-month transition period, Deere will supply Oshkosh with chassis and support services. The deal is expected to add about $100 million to Oshkosh sales.

—

Edward Fritz, manager of Case IH components endurance and field testing, has received the 1988 FIEI Engineering Merit award. His career has included professional society work in the area of rollover protection on farm equipment, and he is currently chairman of FIEI's Farm Equipment Div. Ag ROPS Committee.

—

Construction equipment distributors expect customer demand for equipment rentals and good used equipment to produce a 3.6 percent increase in sales for the first half of 1989 over the same period in 1988. While cautiously optimistic, says Associated Equipment Distributors of its members, they are also looking at a projected economic slowdown or downturn in the second half. Manufacturers are anticipating a 3 percent dip in total sales for the first half.

—

Shipments of outdoor power equipment in the 12 months ending Aug. 31, 1988, were down 3 percent, according to the Outdoor Power Equipment Institute, but they topped the 7-million-unit mark for the second consecutive year. Walk-behind mowers declined 5 percent at 5.6 million units; rear-engine riding mowers were equal with 1987 at 375,000 units; front-engine lawn tractors went up 1.5 percent to 812,000 units. Declines were blamed primarily on widespread drought conditions.

Looking for a STRONG 1989

By Bill Fogarty

WITH everything else solidly in place for a strong sales year, farm equipment manufacturers may quietly be contemplating rain dances, novenas, prayer vigils and other potential wet weather invocations.

The State of the Industry survey, presented early this month at the Farm & Industrial Equipment Institute's Marketing & Management conference at Tucson, forecasts strong increases in dollar retail sales. The Farm Equipment Div. of FIEI expects an increase of 8 percent. The Agri-Equipment Div. looks for a 5 percent rise.

Only the concerns about continuation of the drought in key agricultural areas provide a substantial damper to the sales outlook.

Manufacturers were asked to cite the key elements that would be more positively influential in 1989 than in 1988 in farmer buying decisions. The strongest of these elements were:

Farmers' attitudes about buying equipment; commodity prices; the condition of the agricultural equipment fleet; the number of planted acres; replacement demand; farmers' gross cash receipts; net farm income; and U.S. grain exports.

Parts volume

Manufacturers of field equipment expect a 5.0 percent rise in dollar volume sales of parts. Farmstead equipment makers set it at 5.0 percent. Some of the reasons given for the optimism were:

Better merchandising programs by manufacturers and dealers; heavy population of high-hour used equipment; increased acreage plantings will require repairs; larger yields; increased awareness of the aftermarket parts business; increased OEM efforts to maintain and increase market share; prices will increase; very low inventory at majority of levels; dry soils in 1988 creating added wear on an aging fleet; improved outlook encourages maintenance.

Some surveyed marketing executives from both divisions saw no change coming in parts volume, however. Among their reasons:

Replacement machines are taking away parts sales; survey of our dealers indicates no change; more pressure from non-industry competitors.

Ranges of outlook

The percentages of change in unit volume, as shown in the tables, are median figures. Each question about product unit sales, total industry outlook and parts volume produces a range of answers, some of them quite broad.

The FED outlook for an 8 percent total increase derive

U.S. Retail Sales Forecast, 1989-1990 (in units)

Product	1988 Sales (est.)	Forecast 1989	Pct. Change	Forecast 1990	Pct. Change
Tractors					
Under 40 Hp	54,344	54,344	0	54,344	0
40-99 HP	33,083	34,737	+5.0	35,779	+3.0
100 HP and over	16,127	18,465	+14.5	19,383	+5.8
4WD	2,729	3,029	+11.0	3,075	+1.5
All Tractors	106,283	110,535	+4.0	111,635	+1.9
S-P Combines	5,995	8,095	+35.0	8,945	+10.5
Corn Heads	3,375	4,607	+36.5	5,091	+10.5
Forage Harvesters[1]	2,406	2,493	+3.6	2,555	+2.5
Balers, square[2]	5,732	5,784	+0.9	5,784	0
Balers, round[3]	11,100E	11,433	+3.0	11,550	+1.0
Windrowers	1,750	1,820	+4.0	1,829	+0.5
Mower-Conditioners	11,041	11,262	+2.0	11,262	0
Grinder-Mixers	2,700	2,511	7.0	2,511	0

E: Estimated by I&T. [1]Shear-bar type. [2]Bales under 200 lbs. [3]Bales over 200 lbs.

Source: Farm & Industrial Equipment Institute

from a range of zero (one vote) to plus 18 percent (one vote) among 28 participants, with a fairly even sprinkle of opinions in between.

The AED's range is much broader, running from minus 25 percent to plus 20 percent. There were 18 upside votes, two looking at no change and two downside views.

Other Product Retail Sales Forecasts, 1989-1990

Product	Percent of Change 1989 from 1988	1990 from 1989
Augers, elevators	0	+10.0
Crop Dryers, in-bin	0	0
Dairy/Beef Equipment	+5.0	+4.0
Hog Equipment	+3.5	0
Grain Bins	0	+15.0
Milking Machines	+4.5	5.0
Manure Spreaders	+1.7	0
Moldboard Plows	+5.5	-2.0
Disk Harrows	+15.0	+2.5
Field Cultivators	+6.0	+2.3
Chisel Plows	+5.0	+2.5

Source: Farm & Industrial Equipment Institute

Forecast track record

At the start of 1988, forecasters were expecting sales of tractors under 40 horsepower to hold at 60,000 units. Actual volume was about 9 percent less. Sales of 40-99-hp tractors at 33,500 were better than the expected improvement of 31,210 units. Similarly, sales of over-100-hp tractors came in at about 16,000, bettering last year's prediction of 14,500 units sold. Four-wheeler sales were expected to decline to 1,500 units from 1987's 1,600. Instead, they finished far ahead at 2,625 units.

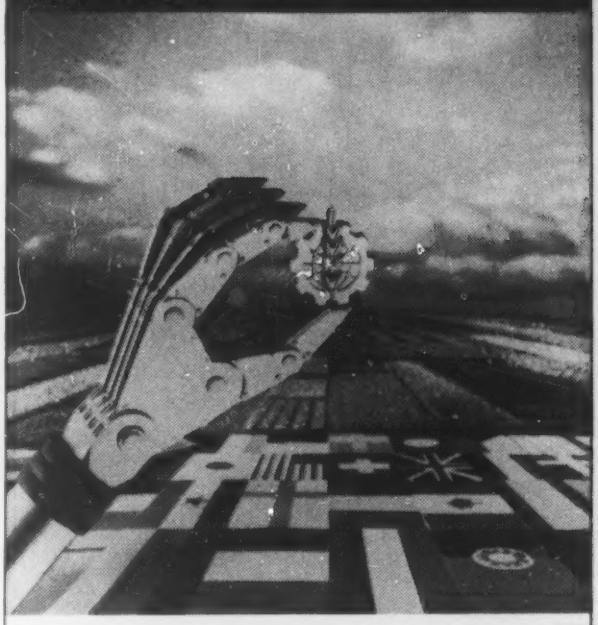
Combine volume was expected to be 6,890 units in 1988, better than 1987's 6,700, but drought intervened and actual sales were about 6,100 units. Similarly, corn head unit volume was predicted at 4,100 and came in at 3,375.

Forage harvester volume for 1988 finished slightly ahead of the predicted 2,400 at 2,475. Square baler sales were forecast for 5,400 units and came in at 5,700. Round baler volume was anticipated to be 10,350 and did better in the year at 11,100.

Windrower sales were expected to finish down from 1987's 1,6[illegible] units at 1,500, but instead, they finished at the 1,750 mark. Mower-conditioners were predicted to come in at 11,500 and they came in at 11,000. Grinder-mixers finished at about 2,700 units, well ahead of the forecast 2,050.

The above figures for 1988 may not coincide entirely with the FIEI December flash report, appearing elsewhere in this issue. The 1988 figures include 11 months' actual sales plus estimates for December. □

EUROPEAN FARMERS AT THE CROSSROADS



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